

**STATE OF MAINE
PUBLIC UTILITIES COMMISSION**

BANGOR HYDRO-ELECTRIC COMPANY
Petition for Approval of Pricing Flexibility Program

STIPULATION

Docket No. 2001-194

Bangor Hydro-Electric Company (“BHE”), Industrial Energy Consumer Group (“IECG”), and the Office of the Public Advocate (collectively the “Parties”) hereby agree and stipulate as follows:

PURPOSE

1. The purpose of this Stipulation is to settle all issues in this proceeding, to avoid a hearing on those issues, and to expedite the Public Utilities Commission’s consideration and resolution of the proceeding. The provisions agreed to herein have been reached as a result of discussions among the Parties in this case.

BACKGROUND

2. In 1995, pursuant to 35-A M.R.S.A. § 3195(6), BHE implemented a pricing flexibility program, referred to as the Alternative Marketing Plan (AAMP@). Re Public Utilities Commission, Investigation of Flexibility Pricing for Bangor Hydro-Electric Co., Order, Dkt. No. 94-125 (Me. P.U.C. February 14, 1995) (the AAMP Order@). The AMP Order allowed BHE, with limited Commission oversight, to reduce prices in existing rate schedules, offer new rate schedules to targeted service classes, and negotiate targeted rate contracts with individual customers so long as the rate schedules or contracts met or exceeded a minimum price floor. Pursuant to the terms of AMP, any targeted rate schedule or contract which met the specified criteria, in particular the price floors, became effective automatically thirty (30) days after the Company filed the schedule or contract with the Commission.

3. As a result of the restructuring of the electric industry, much of the AMP program became outdated and, accordingly, BHE does not have an operable pricing flexibility program.

4. Pricing flexibility remains an important tool for BHE to attract and retain certain customers that have alternative sources of energy; alternative locations for their facilities outside of BHE's service territory; or an inability to pay tariffed or core rates. Revenue from customers paying non-core rates contribute to BHE's system costs which, in turn, serves to reduce rates for BHE's other customers. Based on its experience, BHE cannot compete effectively in the market place for customers without a pricing flexibility program.

5. The Parties to this Stipulation have agreed to a pricing flexibility program (the "Program") attached hereto as Exhibit 1. The Program permits BHE to change certain schedules of rates with limited notice to the Commission and to enter into contracts which meet certain pricing criteria with limited prior express approval by the Commission. If the rate schedule or contract conforms with the Program criteria, it may go into effect automatically thirty (30) days after BHE files the schedule or contract with the Commission. In the cases where the targeted rate schedule or contract does not meet the Program criteria, BHE must seek Commission approval through the process provided in 35-A M.R.S.A. §§ 307 and 703 respectively.

6. The Parties have agreed to price floors for BHE to incorporate into the Program. The price floor is comprised of two components: marginal customer and distribution cost and an adder. Price floors are incorporated into the Program as Exhibit A. Adopting these Price Floors does not mean the Parties agree to the marginal cost methodology used by BHE in developing the marginal customer and distribution costs for the Price Floors.

7. The Stipulation is not meant to prevent the Commission from reviewing the prudence of the Company's operations and does not preclude any such review either on the Commission's own motion or upon request of another party.

8. Pursuant to the filing criteria in the Program, certain information BHE must file may require use of certain customer information which some of BHE's customers may consider to be proprietary business information. Accordingly, BHE has filed herewith a Motion for Protective Order and proposed Protective Order. The Motion seeks to protect, as confidential, customer information which is filed with the Commission in conjunction with the Program. The Parties to this Stipulation endorse BHE's Motion for Protective Order and request that the Commission issue the proposed protective order.

APPROVALS AND FINDINGS BY COMMISSION

The Parties to this Stipulation agree and recommend that the Commission conclude this proceeding by issuing an order which approves, accepts and adopts this Stipulation, and authorizes, pursuant to 35-A M.R.S.A. § 3195(6), BHE to implement the Pricing Flexibility Program attached hereto as Exhibit 1.

PROCEDURAL STIPULATIONS

1. The Parties to this Stipulation hereby waive their rights to request reconsideration pursuant to Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R. 110), to appeal pursuant to 35-A M.R.S.A. §1320, or to otherwise seek reconsideration or judicial review of any Commission Order approving this Stipulation.

2. The Parties to the Stipulation hereby waive any rights that they have under 5 M.R.S.A. § 9062(4) and Section 742 of the Commission Rules of Practice and Procedure to the extent necessary

to permit the Advisory Staff to discuss this Stipulation and the resolution of this case with the Commissioners at the Commission's scheduled deliberations, without providing to the parties an Examiners Report or the opportunity to file Exceptions.

3. The record on which the Parties enter into this Stipulation and on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of BHE's Petition for Approval and all attachments thereto including the Pricing Flexibility Program, and any other material furnished by the Advisory Staff to the Commission, either orally or in writing, to assist the Commission in deciding whether to accept and approve this Stipulation.

4. This Stipulation shall not be considered legal precedent, nor shall it preclude a party from raising any issues in any future proceeding or investigation on similar matters subsequent to this proceeding.

5. This Stipulation represents the full agreement between the Parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole.

6. If not accepted by the Commission in accordance with the provisions hereof, this Stipulation shall not prejudice the positions taken by any party before the Commission in this proceeding and shall not be admissible evidence therein or in any other proceeding before the Commission.

Respectfully submitted this ____ day of _____, 2002.

BANGOR HYDRO-ELECTRIC COMPANY

By: William S. Harwood
Its: Attorney

OFFICE OF THE PUBLIC ADVOCATE

By:

Its:

INDUSTRIAL ENERGY CONSUMER GROUP

By:

Its: